

**MINNESOTA BUREAU OF MEDIATION SERVICES**

**ARBITRATION AWARD**

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In the Matter of the Arbitration	)	
	)	
Between	)	
	)	
VIRGINIA REGIONAL MEDICAL CENTER	)	File 05-HN-855
	)	
and	)	JOHN REMINGTON
	)	ARBITRATOR
MINNESOTA NURSES ASSOCIATION	)	
	)	
	)	
	)	

**THE PROCEEDINGS**

The above captioned parties having been unable to resolve an impasse concerning the terms and conditions of a new collective bargaining agreement, selected the undersigned Arbitrator John Remington, pursuant to Section 179.38 of Minnesota Statutes, and through the procedures of the Bureau of Mediation Services, to hear and decide the matter in a final and binding determination.

Accordingly, a hearing was held on November 23, 2005 in Virginia, Minnesota at which time the parties were represented and were fully heard. The parties presented oral testimony and documentary evidence; no stenographic transcript of the proceeding was taken; and the parties requested the opportunity to file post hearing briefs which were subsequently filed and received by the Arbitrator on January 6, 2006.

The following appearances were entered:

FOR THE EMPLOYER:

Stephen C. Fecker, Esq.

Attorney at Law  
Duluth, MN

FOR THE UNION:

Philip I. Finkelstein, Esq.

Attorney at Law/ MNA  
St. Paul, MN

### **THE ISSUES**

At the time that they reached an impasse in collective bargaining, the parties certified the following eight (8) issues through the Minnesota Bureau of Mediation services for resolution by interest arbitration:

1. Wages for 2005-2007
2. Longevity Bonus
3. Vacation- 12 Hour Shift Nurses
4. Retirement Sick Leave Incentive
5. Life Insurance
6. Retroactivity
7. Employer Contributions to Health Insurance Premiums
8. Health Insurance Eligibility Waiting Period

### **BACKGROUND**

The Virginia Regional Medical Center, hereinafter referred to as the “EMPLOYER or MEDICAL CENTER,” is a charitable community hospital employer within the meaning of Chapter 179 of Minnesota Statutes. It is owned and operated by the City of Virginia as an enterprise fund, a public budgetary arrangement whereby the facility is operated as a self-sufficient enterprise without direct public financial subsidy. Full and part time registered nurses employed by the Medical Center are represented for purposes of collective bargaining by an exclusive representative, the Minnesota Nurses Association (MNA), hereinafter referred to as the “UNION.” The hospital

primarily serves Virginia and three other towns located on Northern Minnesota's Iron Range. It also includes an attached nursing home, the Virginia Convalescent Center.

### Financial Considerations

The Employer argued quite persuasively that the Medical Center is in a "unique financial situation" that limits its ability to increase wages and benefits. It maintains that it has suffered five consecutive years of operating losses including a loss of \$1,964,716 in 2004 and a loss of \$837,981 through October of 2005. While the Union argues that the Employer has "turned the corner" in terms of losses, the Employer contends that although the financial picture has improved, there are still significant short and long term problems. The Employer also points to a 9.3% loss of market share in its primary service area. This loss appears to be primarily related to expanded activity by the St. Mary's Duluth Clinic who recently purchased the East Range Clinic. The Employer also notes the high percentage of Medicare/Medicaid patients it serves and the corresponding under reimbursement it receives for Medicare patients. In this connection it must be noted that the Medical Center is not a "critical access hospital," a fact that prevents it from passing cost increases on to Medicare. Finally, the Employer points to the fact that the above noted Convalescent Center lost over \$1,000,000 in 2004; the contention that the average age of its physical plant is relatively high; and the fact that it does not receive operating or capital contributions from the City of Virginia.

### Comparables

As is typical in interest arbitration, the parties do not agree on appropriate area hospitals for salary comparisons. While both parties agree that hospitals in Hibbing and Grand Rapids, Minnesota should be included, the Employer argues that Duluth/ Cloquet/ Two Harbors hospitals

should be excluded along with those in St. Cloud, Brainerd and West Range towns Crosby and Aitkin. Alternatively, the Employer proposes including Northern Minnesota hospitals in Bemidji, Thief River Falls and other hospitals a considerable distance from Virginia. While the Arbitrator agrees that Hibbing and Grand Rapids provide the best comparables, it cannot be denied that, in terms of the labor market for nurses, Duluth, Cloquet and Two Harbors cannot be completely ignored, nor can Bemidji and Thief River Falls be included. Given the travel patterns and geographical proximity of Duluth and Cloquet to Virginia, the labor market for nurses is overlapping and will likely be impacted by significant pay disparities within the market. However, the Employer contends that there is no shortage of nurses in its immediate area and that it has not experienced problems in recruiting or retaining nurses. The Union did not rebut this latter contention in connection with the Virginia area but did present evidence documenting a national and statewide nursing shortage.

### **OPINION AND AWARD**

#### **ISSUE #1: COMPENSATION-WAGE RATES**

This is the most significant area of dispute between the parties. Not only do they disagree on the percentage amount that wages should be increased, but they differ as to when the proposed increases should be implemented. The Employer's proposal can only be characterized as back loaded. The Union proposes a 13% increase over three years, as follows:

5% retroactive to 7/1/04

4% retroactive to 7/1/05

4% effective 7/1/06

The Employer proposes an 8% increase over three years, as follows:

2% retroactive to 1/1/05

3% effective 7/1/06

3% effective 1/1/07

The agreement would presumably expire on June 30, 2007 under either proposal. The Arbitrator finds many of the arguments related to the Employer's unique financial difficulties quite compelling. Further, the comparisons to the Hibbing and Grand Rapids hospitals presented by the Employer were reasonable. However, the Arbitrator is also cognizant that Virginia is closer to Duluth and Cloquet than are Hibbing and Grand Rapids. Accordingly, nurses living in or near Virginia would be more likely to commute to Duluth or Cloquet for wage/ benefit improvements than would those living near Hibbing or Grand Rapids. Such movement is not unlikely if wages and benefits at the Regional Medical Center drop significantly below those offered in Duluth and Cloquet. The Employer's position on this issue was also somewhat compromised by its decision to grant Nursing Managers a 4% increase and LPN's a 3% increase in June of 2004. The Union supported its pay request with evidence of pattern settlements elsewhere in Minnesota for Registered Nurses.

### **AWARD**

The Employer shall increase the pay of its Registered Nurses as follows:

Beginning July 1, 2004- 4% wage increase retroactive to 7/1/04

Beginning July 1, 2005- 3% wage increase retroactive to 7/1/05

Beginning July 1, 2006- 3% wage increase

### **ISSUE #2: LONGEVITY**

The Union proposes a longevity step or bonus for long service nurses of \$1,000 for full-time

nurses, prorated for part-time nurses. This would be an annual increment beginning in December of 2004 for Registered Nurses with 41, 6000 seniority hours or more. The Employer rejects this longevity request and argues that it has already recognized longevity by the addition of a 20 year step and a sixth week of vacation. While the Union points to a number of longevity programs that have been negotiated in Minnesota, the longevity provisions in Hibbing and Grand Rapids are minimal and comparable to the Employer's above noted 20 year step. The fact that City of Virginia Firefighters, Police, and general employees have negotiated longevity provisions is of little relevance. It would appear that the Union's proposal in this regard cannot be justified at this time given the above noted financial situation of the Employer.

#### AWARD

The Union's requested longevity bonus proposal must be, and is hereby rejected.

#### **ISSUE #4- VACATION-12 HOUR SHIFT NURSES**

The Union proposes allowing twelve (12) hour nurses to schedule one (1) weekend vacation per nurse per year as available by seniority. This would permit twelve hour nurses equality with eight (8) hours nurses at vacation sign up. Presently, 12 hour nurses are never permitted to take vacation time on weekends. The Union proposal appears to be both reasonable and equitable. While the Employer counters that it would lead to excessive scheduling difficulty, they presented no evidence to support this contention. Although the Employer argues that it would be a challenge to hire nurses to work weekends only, this argument is undercut by the Employer's contention that there is no nursing shortage in the immediate area.

#### AWARD

Twelve (12) hour nurses shall be allowed to schedule one (1) weekend vacation per nurse per year as available by seniority. This provision shall terminate with the expiration of this agreement unless renegotiated by the parties.

#### **ISSUE #5- RETIREMENT SICK LEAVE INCENTIVE**

The Union proposes that the current provision providing retiree health insurance be continued for the life of the new agreement. The Employer proposes no such continuation. While the Arbitrator is cognizant that retiree health insurance is becoming increasingly rare, such provisions appear to be common in the Virginia area. Indeed, it was continued in the LPN agreement at the Medical Center through 2004. Since many nurses, like police and firefighters, retire prior to age 65, this provision appears to be of considerable importance. The Arbitrator is disinclined to eliminate a benefit provision that the parties have created through collective bargaining and that employees have come to rely upon. Accordingly, he must reject the Employer's attempt to eliminate this provision through arbitration. This is true even though the Employer attempted to sunset this provision in a prior negotiation.

#### **AWARD**

The existing health insurance provision as it applies to retirees shall be continued for the life of this agreement.

#### **ISSUE #6-LIFE INSURANCE**

The Union proposes increasing the current life insurance benefit to \$50,000 and to half the eligible amount at retirement. The Employer desires to maintain the current provision without change. The Union argues that the current life insurance provision is out of date and no longer comes close to its intended goal of income replacement. It points to substantially superior life

insurance provisions at the Duluth hospitals and Hibbing (\$50,000) and Grand Rapids (\$30,000).

The Arbitrator must therefore reject the Employer's argument that the current benefit compares favorably with internal and external comparables. While life insurance is admittedly a cost item, the cost is relatively minor and the current provision appears to be wholly inadequate.

### AWARD

The life insurance benefit shall be increased to \$50,000 and 40% of the eligible amount at retirement.

### **ISSUE #6-RETROACTIVITY**

The RETROACTIVITY issue has been addressed above in connection with the wage award.

### **ISSUE #7-EMPLOYER CONTRIBUTIONS TO HEALTH INSURANCE PREMIUMS**

There can be little doubt that the Employer has experienced significant cost increases related to the health insurance premiums that it pays. While the Arbitrator deems it unproductive to recite the data documenting these increases, he is compelled to agree that the parties need to establish greater control of these costs. The Employer proposal that any premium increase will be shared with the employees on a 50-50 split basis may be difficult for the employees to accept but it is reasonable and equitable. The Union argues that it already receives unfavorable treatment, at least percentage wise, in comparison with other employees, but the Employer counters that it intends to negotiate the same premium split with other bargaining units and contract employees. However, given the impact of other economic provisions of the agreement, the Arbitrator finds that the 50-50 cost sharing shall not be effective until January 1, 2007 providing the parties with time to



negotiate an alternative.

### AWARD

Effective January 1, 2007, any health insurance premium increase will be a 50-50 split for full-time employees. For part-time employees the Employer will pay only for single coverage.

### **ISSUE #8-HEALTH INSURANCE ELIGIBILITY WAITING PERIOD**

The Employer proposes to change the eligibility period to begin ninety (90) days after employment. The Union proposes no change from the current thirty (30) day waiting period. The Employer cites no need for such a dramatic change other than cost control, and provides no evidence to demonstrate the magnitude of such saving. However, this change could significantly impact new employees caught without coverage eligibility through no fault of their own and would clearly be a serious disincentive for prospective employees already employed elsewhere with health care coverage. The Employer's proposal concerning the waiting period for coverage to begin must therefore be rejected.

### AWARD

The health insurance eligibility waiting period shall continue to be thirty (30) days.

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John Remington,  
Arbitrator

January 20, 2006  
St. Paul, MN